

# Kentucky Agricultural Finance Corporation

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## Minutes of the December KAFC Meeting

The meeting of the Kentucky Agricultural Finance Corporation was held on December 3, 2004 at 10:00 AM EDT at the Kentucky Department of Agriculture Office, Corporate Drive, Frankfort. Commissioner Farmer presiding called the meeting to order, and the Secretary called roll.

### **Members Present**

Annette Crawford-Walters; Commissioner Richie Farmer; Charles Miller; Billy Joe Miles; Doug Lawson; Wayne Hunt; Sec. Rudolph designee, Kristen Webb; Harold Benson

### **Members Absent**

Jane Jones; Sandy Ross; Bob Proffitt; Billy Hurd

### **Others Present**

**Staff**-Keith L. Rogers; Tim Hughes; Catherine Ball; Lucinda T. Pease; David Bratcher

**Guests**-Sam Lawson(KADB); Rodney Dick (KADB); Anna Kendrick(KDA); Ray Bowman(Kentucky Goat Producers Association); Mark Farrow(KDA); Kathi Marshall(GOPM); Shana Herron(CFA)

### **Notification of Media**

Keith L. Rogers, Executive Director, verified notification of the press regarding the Kentucky Agricultural Finance Corporation meeting.

### **Welcome**

Commissioner Farmer welcomed everyone to the Kentucky Department of Agriculture facility and thanked them for attending the meeting. Introductions were made of the guests.

## **Approval of Minutes**

A motion to approve the minutes was made by Doug Lawson and seconded by Charles Miller. Motion passed without dissent.

## **Executive Directors Report**

Mr. Keith Rogers recommended that the January 7<sup>th</sup> KAFC meeting be held in Owensboro at 1:00 in conjunction with the KY Cattlemen's Convention. The Agricultural Development Board is hosting a one day conference in Lexington on January 20, 2005 for County Councils, Program Administrators and Extension Agents. He welcomed all members of the KAFC Board to attend.

Mr. Rogers informed the board of a possible project with the Economic Development Cabinet; however details cannot be disclosed at this time. The GOAP staff has met with Horton Fruit Company in Louisville in regards to a plant to produce food that is ready to eat. They have the ability to access and make use of a variety of Kentucky produce.

Sygen has plans underway for production of shrimp in the state.

The ADB held a two day planning meeting at Lake Cumberland State Park in October. They are moving through the review of model programs and working on adding new model programs to the current list. The ADB also approved two new competitive grant programs: one for Farmer's Markets on community and regional levels and one for Agritourism. The Agritourism applications must show impact to other producers and not just to the single applicant. The agritourism program is in the form of a forgivable loan. Both applications are now on the website.

Phase II Update: Companies have requested a refund of the 2004 Phase II payments. There is a 150 day moratorium that doesn't allow the Tobacco Trust to move any money for the time period. The conflict resides as to what is the effective date for the buyout and the Phase II payments. Briefs are to be submitted by December 10 and the hearing is set for December 20 in North Carolina. Mr. Rogers stated that he feels very strongly about our position and the supporting documents we have provided. If we are successful in NC the tobacco companies do have the right to an appeal. If there was no appeal you would still look at an approximate two weeks after the judges ruling, before payments would be made. If they appeal the stay would remain in effect and no money could be moved until the appeal process was complete.

## **Amendment to KADB-KAFC Agreement and Guidelines**

After a meeting with the KADB Access to Capital Committee they have developed a list of recommendations to the current agreement.

At the October planning session of the KADB they requested an idea to help buy down the interest rate for the customer. The staff and Access to Capital committee came up with four scenarios.

Tim presented the amendments to the board.

The Young Farmer Loan Program has raised questions that it may not fit into the program. Therefore they have proposed to add two new areas; Agriculture Processing Investment Fund and Tobacco Grower Investment Fund. Only real estate and improvements for agricultural purposes will be eligible. Operating loans and refinancing will not be eligible. The terminology has been changed from “concert” to “harmony” regarding bank participation.

Sam Lawson presented the board a handout on new ideas for the board. He doesn't feel the KAFC board should purchase a loan software package. They should let the banks cover that area.

Tim Hughes stated that Sam's proposal would be fitting within the Tobacco Growers Investment Fund. On Young Farmer loans we would let the bank or the FSA office come to us with the proposed idea.

Taking out the appendix in the agreement in regards to the County Revolving Loan Program would allow the individual counties to make changes to meet their needs.

Sam Lawson asks that the KAFC board to go through local banks for these projects.

Commissioner Farmer introduced Anna Kendrick as the Director of Agriculture Marketing and Agribusiness Recruitment and informed them that she could work in conjunction with the KAFC in these projects.

Tim Hughes had developed a scoring sheet to evaluate a projects potential.

Doug Lawson questioned whether there is discussion or ideas about participating in loans with farmers still in tobacco production? Tim replied that the understanding is that we do allow participation in the area of barn construction. The agreement addresses operational transitions and the board has not set policy on tobacco infrastructure.

The motion was made to accept the amendments to the Kentucky Agriculture Investment Trust by Charles Miller and seconded by Annette Crawford-Walters. The motion passes without dissent.

### ***Down Payment Guarantee Program***

Sam Lawson had some concerns regarding 3b and 3e, stating he believes there needs to be clarification between equity and cash.

Recommendation was made to change to 3c to state tobacco dependency. It was discussed that there should be some form of documentation, such as a buyout check that proves the individual applicants dependency on tobacco.

#### Amendments

\*No origination fee by KAFC

\*In regards to 3b, Doug Lawson stated it should be 10% equity injection in the form of cash, additional collateral or personal guarantees and any variances must have the discretion of the board.

\*3c to state “borrower must have history of tobacco dependency”

\*3e to change from 95% to 100%

\*\*\*Motion was made by Annette Crawford-Walters and seconded by Harold Benson to accept the down payment guarantee program with the listed amendments/changes.

The board agreed to the scoring scenario.

## **Old Business**

Mr. Rogers announced the establishment of a loan review committee consisting of the following members:  
Jane Jones, Billy Hurd and Charles Miller

## **New Business**

Current balance \$3,031,169.38 as of 11/30/2004  
Link Deposit Agriculture Loans Outstanding: \$6,078,029.24 as of 11/30/2004

### **Loan Application Review**

Staff has consulted with several prospects and we are working with the Economic Development Cabinet on a major project.

## **Other Business**

Catherine Ball addressed the board regarding ethics. The Commission on Ethics has asked that all boards and commissions adopt the same policy in regards to Code of Ethics. A copy of the Code of Ethics was provided for board member review.

Motion to approve the code of Ethics was made by Charles Miller and seconded by Doug Lawson. Motion passes without dissent.

The Marketing Review Committee came up with a list of recommendations at the September meeting and changes are still being made. When all details are complete we will update you. The KAFC website is up and running.

The Commissioner wished everyone a Merry Christmas and thanked them for coming.

## **Adjournment**

Motion to adjourn was made by Harold Benson and seconded by Wayne Hunt. Motion passed without dissent.